

COMMITTEE ON LANDS AND BUILDINGS

May 20, 2003

5:30 PM

Chairman Thibault called the meeting to order.

The Clerk called the roll.

Present: Aldermen Thibault, Gatsas, Pinard, DeVries, Garrity

Messrs: Dick Anagnost, Steve Tellier, Bob MacKenzie, Alderman Forest,
Alderman Sysyn

TABLED ITEMS

Chairman Thibault addressed Item 3 of the agenda:

On a motion of Alderman DeVries, duly seconded by Alderman Pinard, it was voted to remove Item 3 from the table.

Communication from DASS Development requesting to acquire land beneath the Pearl Street School.

Deputy City Clerk Johnson stated Mr. Chairman we would note that this is a communication from DASS Development. There was a summary report that was previously submitted by DASS which we had given to the Committee and also a report from Planning and the Assessors which is attached. Mr. Tellier is here for the Board of Assessors and Mr. Anagnost is here for DASS I do believe.

Chairman Thibault asked what is the position of the committee? Would anybody like to call anyone up to understand where this is at or do you all feel that you know where we are at with this?

Alderman DeVries stated I'd like to hear from the developers, DASS. I don't think we've heard from them yet.

Dick Anagnost stated I am President of DASS Development. Betsie do you want me to go through the proposal or do you have questions?

Alderman DeVries answered I think we understand most of the proposal. I guess what I would like to hear from you is why you feel at this point in time it would be imperative for us to let the property go.

Mr. Anagnost stated imperative would be the wrong word and there's no urgency for this that's why it's taken this long to come up with the appraisal. Our proposal is simply advanced in the event the City being in the cash crunch it is that this is sort of a languishing asset that could be sold off and bring money into the City coffers. Essentially we have 36 years left on a flat lease that doesn't increase at all to the City's benefit over the next...

Alderman DeVries asked and that's at \$1,000 a month?

Mr. Anagnost replied it's actually \$13,200 a year. When we took it over after it had failed for the second or the third time, we actually increased the rate from \$1,000 a month to \$13,200 a year and the City would receive that income stream over the next 36 years.

Alderman DeVries asked in lieu of the 36 years at \$13,200 annually you're offering us is it \$135,000.

Mr. Anagnost replied the appraisal is actually \$135,000, the property's I think assessed value or ultimate value would be \$303,000. The thing you need to understand is that there is \$100,000 mortgage on the property currently that is secured by the improvements on the property so there's another \$100,000 worth of debt that's paid over and above the \$135,000. That's the residual balance from the original mortgages that were placed on the property which were in excess of \$300,000 that improved the property to allow it to be converted to elderly housing. As with any negotiation we needed a starting point. It was suggested that we commission an appraisal. The appraiser is an appraiser that we've used in the past that the City has accepted and we've used him with all of the other buildings that we've used downtown, so his credentials are acceptable to the City and we asked him to go out and do a current value analysis of the \$13,200 income stream and the value of what the City gets, which is the \$135,000.

Alderman DeVries stated what I don't recall; maybe you can update me. This would not change the current level of taxation that we receive on the property.

Mr. Anagnost replied I think it would. I think it would increase somewhat because right now you're not taxing yourself on the land, you're just taxing us on the improvements. So the taxes would probably go up.

Alderman DeVries stated the majority of the value is in the improvements as based by the appraisal so it would be a very...

Mr. Anagnost replied it would be a minor increase. It wouldn't be major, however, it would probably be an increase. I think Mr. Tellier can speak to that better than I. Naturally we wouldn't want to see an increase, however, we're realistic in the fact that the land currently isn't being taxed and the improvements upon the land is what we pay the taxes on.

Chairman Thibault asked Steve I wonder if we could ask you to come up and give the committee some idea as to what should happen here?

Steve Tellier replied I can't answer what should happen. My letter makes observations on the appraisal. The fact is what the City is entitled to is the leased fee interest. As identified by Mr. Anagnost the \$135,000. The value of the improvement, or the structure, really those entities for the next 36 years for the over the life of the 49 years belongs to Mr. Anagnost and the benefit of the profit of what little that he's gaining in low income housing is to pay off the debt service...he's entitled to a return of his initial investment and a return on the investment that he made. Therefore, that 49 years, that profit, that's what Anagnost Properties or DASS Development is entitled to. What the City's entitled to is the benefit of the leased fee interest. That \$13,200 a year over the next 36 payments. I went through the appraisal, the appraisal was very well executed and had perfect merit. I think the value, the market value of the property was well described at \$375,000 and I found no fault with the appraisal. As far as what's to be done, that's going to be under the purview of this board.

Alderman DeVries stated the one thing that comes to mind and we recently went through the lease agreement, redid the lease agreement at the Derryfield Restaurant for the new structure, and it was represented to us in that point in time that we could not afford to buy out the remainder of that lease. It would be cost prohibitive to us because it was of such great value. I think that's the one thing I'm stumbling on is why when the shoe was on the other foot it was a cost prohibitive, but now we don't stand to gain a whole lot from the remainder of that lease.

Mr. Anagnost replied we're sort of mixing apples and oranges, but let me try and explain to you as best I can. Along with this property runs a restriction that it can't be used for anything more than low income elderly house. I mean this is the lowest affordable rate, 30 percent, almost the poverty level of people that live here.

Alderman DeVries asked and you're offering to maintain that? Correct?

Mr. Anagnost replied that's an agreement that we made originally in the development of this property and that agreement perpetuates along with the property. It was designed for it; it was built for it. I don't think that based on the size of these units you could really go out and get market rent for them anyway. They are tiny units built specifically for single elderly people of low-income status. So the restriction would continue. It has to anyway by the original financing that was put in place and the restrictions that went into the registry at that time. The Derryfield on the other hand is a commercial lease at a very desirable location. You can only charge a certain amount of rent for these people and that's governed by law as the maximum charge.

Alderman Gatsas asked how many apartments are there?

Mr. Anagnost stated I'm sorry Alderman Guinta. There are 12 units in the building; there are three studios and nine one bedrooms. The studios are approximately 400 square feet apiece and the one bedrooms are approximately 500 square feet apiece I think.

Alderman Guinta asked you're offering \$135,000 for that? For the land?

Mr. Anagnost replied for the land.

Alderman Guinta stated the simple math that I've done \$25,000 a unit for 12 units is roughly \$300,000. To say that your value is 50 percent of the land almost, I would say that this is a pretty good offer. I just did simple math. If you did it at \$25,000 a unit, it comes up with a value of about, correct me if I'm wrong, are those units selling for more than that on the marketplace now? Or is that high?

Mr. Anagnost replied they'd probably go between \$25,000 and \$30,000 if they were market rate units. With the elderly restriction you need to be at the lower end of it because you can't get the full amount of the rent.

Alderman Guinta stated so \$25,000 times 12 units is \$300,000.

Alderman Garrity asked an earlier statement was that it's only taxed on the improvements that were made to the building? Is that what it's taxed on?

Mr. Anagnost replied it's currently taxed on the building and not on the land.

Alderman Garrity asked if you would buy out the lease, would we be able to tax him for the entire structure and...

Mr. Anagnost replied that's correct. Because currently with the lease with the City, the City's only taxing us on improvements that we made, they're not taxing us on the land that they get their rent based on. Which is the lease rate of the \$13,200.

Chairman Thibault stated so can I ask you Dick, in other words what you're saying now is if in fact we let this go through at this point, your tax rate would go up because the whole thing would be encumbered. The land the building. Right?

Mr. Anagnost replied right.

Chairman Thibault asked does that change value Alderman?

Alderman Guinta replied it probably adds about \$3,500 in tax value to the City.

Alderman Thibault asked what's the...

Alderman DeVries stated I'll ask my question of Alderman Gatsas, just because you've run the numbers on many prior scenarios and usually break it down at cost per square foot. I'm just wondering how you came up with the \$25,000. Have you looked at construction cost per square foot and that's what you're using. I'm equating this maybe to the Brown School and how you've looked at some of those other numbers. So if you could just.

Alderman Gatsas answered those were renovations costs. This is on a per unit cost of what you would be able look to sell this unit for or the building on the open market.

Alderman DeVries asked can you compare this to some of the costs that we've seen at that Brown School project?

Alderman Gatsas replied I really don't think you want to do that because you may turn around and ask for reconsideration on that vote that we did.

Alderman DeVries stated either that or I'd ask why this one is so much lower.

Alderman Gatsas stated I would think that you may have wanted to ask the other question of why that one is so much higher.

Alderman DeVries stated maybe they both need to go... \$25,000 just even for non-market rates sounds very low on today's market. Am I...?

Mr. Anagnost stated well you're dealing with small one bedrooms and studios, and you're dealing with a rent restriction that wouldn't give you much more of an income value higher than that. That's the real issue. I mean you can go and find a market rate unit I'm sure that sold at \$30,000 or \$35,000 for a one bedroom but when you have a

low income affordable unit that is strictly restricted to elderly and restricted to the lower end of the income, you're only allowed to get a certain amount of money out of that rent. Economics is what drives value. It's the income stream really.

Alderman DeVries replied I understand and it's a sector that we certainly want to serve and I'm glad that you're continuing with the restrictions and that doesn't change with this process. Let me ask our Assessor to comment on that. So the \$25,000 on these particular units, have you seen them and does that appear to be market value to you?

Mr. Tellier replied capitalizing the market rents, that's accurate. \$300,000 to \$375,000 is the most you could ever get on it with those restricted rents and the fact that certain other facets of the building have to comply with those sorts of issues. Because you have elderly and the security, fuel, utilities, their expenses are a little bit higher because part of those constrained rents include that they have to provide the utilities and security features in the building. So that's accurate.

Mr. Anagnost asked could I just elaborate on that one thing. That's another thing that I should have pointed out earlier is that even the fact that these are the lower end of the affordable unit range, they are also 100 percent utilitized as part of contract that we originally entered into, so essentially the elderly person goes in there and pays nothing except their rent. So we eat the cost of the utilities, which further depresses the economic value of the property.

Alderman Gatsas asked what is the total gross income?

Mr. Anagnost replied \$41,500.

Alderman Gatsas asked less expenses?

Mr. Tellier replied net operating income. That's after expenses. \$41,500.

Alderman DeVries asked is this something, should this transaction take place, it could take place on or after July 1st?

Mr. Anagnost replied it could take place whenever you want it too. I mean you guys could set the schedule by which we would follow for the close.

Alderman DeVries asked is there anybody, I see Finance in the back row. You know where I'm headed with that. Is that something that could be...save us with some of the budget woes next year? Okay, so if it's built into the budget?

Chairman Thibault asked Dick what I want to know is, who polices the stigma that you have there by you can only charge so much? And who polices that and for how long? And is there someone in place that does that?

Mr. Anagnost replied yes. The New Hampshire Housing Finance is the current agency that audits us on an annual basis. They will be auditing us for approximately nine more years. After that it will be incumbent upon us to comply with the sections of the code. It's a deed restriction, so therefore if we were found out of compliance with that deed restriction, then I don't know where or how it's policed from that point to be honest with you. I just know that for the next nine years New Hampshire Housing is our person to answer to that.

Chairman Thibault asked nine more years?

Mr. Anagnost replied correct.

Chairman Thibault continued let me just ask a hypothetical question here. What's the difference between you and nine years from now to change the scope of this completely and go to whatever?

Mr. Anagnost replied the restrictions are on public record at the registry. If we ever went to sell it, it couldn't be sold for anything more than that anyway because it's a matter of record. It runs with the property.

Chairman Thibault asked Bob did you have anything to say to this? I know Bob MacKenzie had something to say on this thing and I would like to have him just give the committee an update as to where that is at.

Bob MacKenzie stated we would normally just comment on two items. One is whether it's surplus to City needs, and in this case we see no other need for the property. Its best use is for affordable housing, so we believe the property would be surplus. Secondly, we would normally comment on the method of sale. Should it go to auction, should it go to public sale? In this case, given our long-term lease arrangement with this applicant, there is no alternative. If the City wants to sell this, the City has to sell this to DASS Development. So we have no problems with the sale. We don't really have a comment on the value of the sale, but we do believe it's surplus.

Alderman Gatsas asked Mr. MacKenzie there was a piece of property I think we disposed of maybe two weeks ago on Hanover Street, for a price of \$150,000? That would accommodate 30 lots or 30 units of low-income senior. That was \$150,000 for 30 units, which was \$5,000 a unit land cost, roughly. We're doing the same project in

excess of \$10,000 a unit. I guess we should have sold the one on Hanover Street for more money.

Mr. MacKenzie replied first of all I never saw the price on the one on Hanover Street. We don't deal with the price tag. But I would note that that property is not zoned for multi-family housing. That is zoned for single family housing, and you could only get two house lots on that.

Alderman Gatsas asked what is this zoned?

Mr. MacKenzie replied this is zoned duplex.

Alderman Gatsas asked so the most they could get on this...?

Mr. MacKenzie stated but they did get a variance for converting it to elderly housing and that variance runs with the land, so the number of units on this property runs with the land forever.

Alderman Gatsas stated correct me if I'm wrong, I believe the transaction that we did on Hanover Street has that subject too in it. That they're going to receive a variance for senior housing.

Mr. MacKenzie replied again I never saw the price tag. That was before the board and I was not aware of price tag.

Alderman Gatsas stated that was before this committee. It was \$150,000. Am I right Mr. Tellier, \$150,000? For 30 units it's \$5,000, so if I took these same 12 and multiplied it by the \$5,000, would be \$60,000 and the offer we have on the table is \$135,000. Either we're charging DASS too much money or we didn't charge enough on Hanover Street.

Mr. Tellier replied if I may answer that Alderman. The only difference...again that was...the place was predicated on two house lots on Hanover Street and if you recall they were contingent on purchasing this property that they gained the benefit of the variance. There was not way for us to know whether they'll gain that benefit or not at the valuation period.

Chairman Thibault stated the only thing I'd like to say is that in talking to Bob MacKenzie prior to this meeting and before that, is that the need for elderly housing and low income house being what it is in the City of Manchester, I want the committee to make the decisions as to how they want to go with that. That's up to you guys. But I'm just bringing this out as we know, as most of us know, that there is a major need here. So that I would like the committee to...

On a motion of Alderman Gatsas, duly seconded by Alderman DeVries, it was voted to accept \$135,000 from DASS Development to purchase the land beneath the Pearl Street School.

Chairman Thibault addressed Item 4 of the agenda:

On a motion of Alderman DeVries, duly seconded by Alderman Garrity, it was voted to remove this item from the table for discussion.

Communication from PSNH requesting clarification of easement rights to specifically include overhead rights (Tax Map 693, Lot 40C).

Chairman Thibault asked is there anybody here from Public Service?

Deputy City Clerk Johnson stated Mr. Chairman the Clerk would note that this property was requested by PSNH to the City, however, in looking at it, the City doesn't own it. We've informed PSNH of that and we'd just like to have it received and filed.

On a motion of Alderman DeVries, duly seconded by Alderman Gatsas, it was voted to receive and file this item.

Deputy City Clerk Johnson stated there are two more items. One is there's a lease agreement that we had distributed to the committee. It should be right in front of you. It has to do with the Community Resource Center. The Planning Director has submitted it to us. They were looking for a referral to the Solicitor's Office for review and I didn't know if you wanted it to come back to this committee or just directly out to the board.

On a motion of Alderman Gatsas, duly seconded Alderman Garrity, it was voted that the City Solicitor review the lease agreement and then forward to the board.

Deputy City Clerk Johnson stated the second item is there is a parcel of land on Hanover Street that's vacant land. There was an abandoned property on it that's no longer there. Alderman Forest had requested us to send letters to the abutters; it's not a buildable lot. It's only a piece of a lot that we own. I can show it to you on a map if want. There is a liability issue there. The suggestion was to offer it to the abutters. I was going to get a price from the Assessors. I did check with Planning, they do say it is a surplus piece and they will give me a report to that effect. I believe it has to be offered to the former owner under the tax laws as they now exist, which was a trust. I

don't anticipate that they're going to be interested in purchasing it back, and that would be the process.

Alderman Gatsas asked how about if we let the Assessors get this information and get back to us? I'll make that for a motion.

Deputy City Clerk Johnson stated he does have the information.

Chairman Thibault asked Steve could you come up and enlighten the committee on this a little bit and there's a few questions here.

Alderman Garrity stated question for you Mr. Chairman. I have a real problem. We have this stuff in front of us when we're sitting down to a meeting. There's no reason why we should get this when we walk in the door. We're asked to make decisions on this stuff and it's unacceptable. I've got a multi-page document here. This is put in front of us and we don't get a chance to look at it or anything. I think...it's up to you. You're the Chair but we should have a 48 hour...

Alderman Gatsas stated we'll send it through the process and then let it come back.

On a motion of Alderman Gatsas, duly seconded by Alderman Garrity, it was voted to send this item through the process and let it come back to the committee.

Chairman Thibault asked Steve would you in fact send a letter to all of the committee members to let them know exactly where this thing is at so that when we meet again we can make a more informed decision.

Alderman DeVries stated I'd like to hear from Alderman Forest.

Alderman Forest stated I'd just like to make a comment on this piece of property. It's just that I was driving around the City for a few days and I kept seeing this lot with a City of Manchester no trespassing sign on it. I asked Aldermen for three days if they knew anything about it and they did not. This morning I went out to the property, found out where it was, what the addresses were, and I researched it and brought it to Carol and Steve in reference to it. We have City signs there and what I'm afraid of is some kid is going to go by on a bicycle and fall down, it's got a City of Manchester sign on it and we've got the liability.

Alderman DeVries stated I have one additional question too before we adjourn on it. I was just wondering, of the tax cards you gave us, which is the actual parcel in question here?

Alderman Gatsas stated if we just send it through the process, we're going to get it back.

Alderman DeVries replied I know. I have a reason. That's the land value that we're looking at?

Mr. Tellier stated that was the land value and that really doesn't represent the entire property value. That was after the reevaluation.

Alderman DeVries asked so are you telling us that you are estimating that value may be lower than what we're seeing on the tax card today?

Mr. Tellier replied considerably.

Chairman Thibault stated members of the committee I want you to understand that the Planning Board has already deemed this property surplus. And I understand what Alderman Garrity is asking and I also understand what Alderman Gatsas is asking that we table this. I have no problem with that. Why don't we let it go through the process and come back here so everybody can have a map as to exactly what it is? Steve let me ask you one thing. Would it be possible to identify this lot, get it to all of the members of this committee so that they know exactly where we're at with this thing before we make a final decision.

Mr. Tellier replied that would be appropriate Alderman.

Alderman DeVries stated one last question. I'm not going to let it go yet. Steve did you have a comment and rebuttal to what Alderman Sysyn was saying?

Mr. Tellier replied there's some complications to this property. It was converted to a duplex and there are some variable problems that exist with this lot that need some time to be sorted out. Joan Porter is not here. She should actually contribute to this issue. Alderman Forest brought it forward, we've done some preliminary research, but it does require more.

Alderman DeVries asked it will come back with a value?

Deputy City Clerk Johnson stated we'll bring it back at the next meeting.

Chairman Thibault stated Steve that's what I'm asking. I would like you to get all the particulars and get it to all of these Aldermen on this committee so that we can make a final decision.

Mr. Tellier stated the committee will have a full report.

There being no further business to come before the committee, on a motion of Alderman DeVries, duly seconded by Alderman Pinard, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee